AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND

NORTH AFRICA REGIONAL CONSULTATION MEETING
LONG TERM STRATEGY
SUMMARY REPORT

Tunis, March 29, 2012
Summary Report on the LTS North Africa Consultation Meeting
Tunis – March 29, 2012

The summary below captures the main points discussed during the North Africa regional consultation meeting in Tunis and is not a detailed set of minutes. The comments have been summarized and organized into five thematic areas: (I) Context and Drivers of change; (ii) Vision for Africa for the next decade; (iii) Operational Focus for the African Development Bank; (iv) Financing, and (v) Institutional Reform.

1. CONTEXT AND DRIVERS OF CHANGE

CONTEXT

- Recent economic growth in Africa has produced an Afro-optimism that should benefit the continent. However, in the long term, development in Africa must take into consideration current global changes including the following: (I) the achievements of the Arab Spring, (ii) the emergence of BRICS (including potential employment opportunities from China's relocation of selected industrial activities to Asia and Africa), (iii) current changes in financial markets, and (iv) the risk of decreasing Official Development Assistance due to the ongoing financial crisis and its impact on international development partners.

- The continent has become dependent on aid and must move away from that in order to own its own development by appropriating the benefits by developing its immense natural resources either alone or with partners.

Drivers of Change

- There are multiple change factors in Africa including a young, educated but unemployed population. An education system linked to the job market would enable youths and university graduates to earn qualifications that make them more effectively employable. The Higher Education Science and Technology program is a major factor for realizing this goal of economic transformation but if HEST lags behind, the demographic boom will become an additional burden. Agriculture and natural resources, including mineral resources, could provide an excellent foundation for economic change if they are rationally developed and used. Growth is driven by employment and the private sector, and must be inclusive.

- Protecting the environment in a period of climate change is essential and the LTS must address this. The expansion and development of agriculture in Africa are major issues in this context, given the issues of food security, which requires multiple mechanisms for cooperation. It is important to develop agro-industry and to train people who are able to effectively add value to the immense swaths of arable land in Africa.
North African enterprises are undercapitalized and overly indebted, and capital markets are underdeveloped. A monetary union could valorize its potential in international negotiations. SMEs have no access to financing. Whereas diversification is necessary, North Africa has not diversified strategically, informed by the middle class, which must expand. The public sector also has a role to play in private sector development.

Human rights exist on paper in North Africa but not in practice. The socio-religious dimension of the region must be taken into consideration.

Regional integration is limited by tensions among North African countries despite its importance to development. A North-African Free Trade Area could be designed to harness regional infrastructure to political will. An intelligent infrastructure -- building roads and railways -- could be developed to further this integration to help create a trans-Maghreb FTA. The Bank must revisit its integration initiatives.

The fiscal environment needs to be improved by combating tax evasion and increasing the narrow tax base. Similarly, the banking system needs to be improved along with financial risk management.

2. Vision for Africa for the Next Decade

The vision for Africa must be tied to inclusive growth and more equitably shared resources, accompanied by good policies, good governance and good sectoral reforms. The vision for Africa should be tempered by a context of economic and political strife. We are all conscious of the fact that countries have made good progress in North Africa since the Arab Revolt. However, indicators—deficit, budgetary, etc.—have worsened. Accordingly, we need to take into account the effects of these crises for our long-term strategy and allow/factor in the possibility of future and further conflict.

Africa should become a global growth pole based on better use of its potential.

Africa should become food secure by developing its vast swaths of arable land and its water resources so that the agriculture sector is more productive. In addition, agro-industry must be further developed.

3. Operational Focus of the Bank

The Long-Term Strategy must remain selective and flexible and support both the promotion and development of the public sector in Africa. It should also draw on the recommendations of the High Level Pan as well as the results and lessons drawn from the Bank’s evaluation of its
MTS 2008-2011. The private sector is essential for growth, but growth must be inclusive, which requires deepening structural and sectoral reforms.

- Higher education and training must be supported to increase the capacity of African countries and ensure a better link between sectoral demands and education/training. The population of youth, and particularly graduates, need to be better prepared to work in a context that values qualification rather than diplomas alone.

- Regional integration must be promoted by financing regional projects and infrastructure development. A successful integration in North Africa would enable the countries to achieve the status of BRICS, as South Africa has done. Reforms to facilitate trade facilitation must also be supported.

- The Bank should support good economic, financial and political governance, in addition to engaging in conflict resolution and fighting terrorism and drug trafficking in the region.

- Reforming the financial system could produce better financing and easier access for SMEs and SMIs to credit to enable them to resolve their undercapitalization and over-indebtedness. The private sector is a motor of growth that must be supported; the support should extend to micro-finance.

- Energy initiatives targeting renewable resources are essential for development. Renewable energy whose development could produce green jobs must be a focus. Prospectuses for investment in the sector should be designed.

- Africa’s potential needs to be developed, especially in agriculture and agro-industry. The production and use of water and mineral resources could contribute to food security, among other things. These needs require reforms in the water, energy, agriculture, education and finance sectors.

- The Bank should be a knowledge broker and forum for African countries and should document, analyze and disseminate the successes of certain African countries. The Bank should be a center of technical excellence and ramp up its knowledge products. It should promote more experience sharing among African countries and research centers. It could also help develop skills and African expertise and strengthen the actions of the African Development Institute to contribute to countries capacity building.

4. Financing

- Resource mobilization remains essential. The Bank should do its best to preserve its triple A rating in order to mobilize low-cost resources for Africa’s development.
- The Bank can bring more additionality to financed projects if it increases the level of coordination among development and finance partners.

- The Bank should rethink the role of ADB and ADF windows and increase the concessional level of its funding, especially for MICs. It could also broaden the range of instruments available for the private sector, including venture capital, leasing or equity participation in investments funds. The Bank can also examine the possibility of having MICs benefit from concessional resources from its ADF window to finance social projects.

- The Bank should be more selective in funding countries, by clearly define its selection criteria when allocating resources to countries according to levels of democratic governance (political governance). However, the population should not be punished because a government lacks governance.

5. **Institutional Transformation**

- The Bank must improve its decentralization process by delegating more authority to field offices and regional centers and by strengthening their expertise.